

## Regulation and policy update for community and local energy stakeholders July 2019

We are producing this document in response to stakeholder feedback to help highlight relevant regulation and policy, and provide context as to why it is important to community and local energy stakeholders. The electricity industry is going through a period of rapid development and we can't promise that this will be an exhaustive list, but it will hopefully be a useful summary and prompt for further reading.

Name of regulation/ policy	What is it?	Owner	What stage is it at?	Why it matters
<a href="#">Smart Export Guarantee</a>	Government mandate for suppliers over a certain size to guarantee a payment generation under 5MW who export renewable energy to the grid.	BEIS	Came into law on 10 June and will be implemented by 31 December 2019.	It will provide an additional revenue stream for households and buildings with schemes below 5MW. It's not specifically targeted at community energy schemes.
<a href="#">Open Networks – flexible services consultation</a>	This is the name of the project that is overseeing the industry-wide project to identify and implement the changes that are required to enable significant low carbon technology deployment across the electricity networks. Also known as the transition from DNO to DSO.	ENA	Consultation published on 2 July on the ENA website.  This consultation will close on 23 August 2019.	Many community energy groups are interested in flexible services and if you have experience or an opinion on how they should be advertised, contracted and delivered this consultation would like to hear from you.
<a href="#">Ofgem customer vulnerability strategy</a>	The strategy sets out how Ofgem and the industry will protect energy consumers in vulnerable situations.	Ofgem	Updated draft strategy published for consultation.  Closes 8 August.	Many community and local energy groups work with 'vulnerable' people in their community. This consultation is an opportunity to comment on how the energy industry should support vulnerable customers.
<a href="#">Energy data task force</a>	The task force was set up by Government, Ofgem and Innovate UK	The task force was run	The report has set out five key recommendations that	

	to look at the role of data in the future of the energy system and has published its final report.	by the Energy Systems Catapult.	will modernise the UK energy system and drive it towards a Net Zero carbon future through an integrated data and digital strategy throughout the sector.	
<b>Enabling consumers to buy and sell electricity from/to multiple providers through meter splitting</b>	This a proposed modification to an industry code: P379 which, if it goes ahead, will enable individual consumers to be supplied by multiple trading parties through a Balancing and Settlement Code (BSC) settlement meter at the boundary point.	Elexon	The proposed modification has a formal process to follow; it is part way through the working group phase and its progress can be tracked on the <a href="#">Elexon website</a> .  The P379 interim assessment report was presented at the BSC panel meeting on 13 June 2019. Working groups are ongoing.	The electricity industry is governed by codes and changes mean new practices can be brought in. This modification could mean domestic customers can contract with more than one supplier and one of those suppliers could be with a community or local energy generator.
<b>Targeted charging review – significant code review</b>	This is Ofgem’s method to review current working practices and this review will focus on: <ul style="list-style-type: none"> <li>• consideration of reform of residual charging for transmission and distribution, for both generation and demand, to ensure it meets the interests of consumers, both now and in future; and</li> <li>• keeping the other ‘embedded benefits’ that may be distorting investment or dispatch decisions under review.</li> </ul>	Ofgem	Ofgem’s timetable:  Ofgem issued an update on timing on 11 May 2019 and expect embedded benefit reforms to be implemented in April 2021 and the residual charging arrangements to be implemented in April 2023 along with changes to the access and forward looking charges.	It’s hard to tell how both these code reviews will impact community and local energy because they are complex and inter-related although they are being dealt with separately. However it’s possible that changes will result in increased connection or use of system costs. Ofgem has also been criticised for not putting carbon emissions reduction at the heart of the change – something we know is important to the community energy sector.
<b>Access and forward looking charges review – significant</b>	This is Ofgem’s method to review current working practices and will focus on: <ul style="list-style-type: none"> <li>• a review of the definition and choice</li> </ul>	Ofgem	Ofgem’s timetable: <ul style="list-style-type: none"> <li>• The first working paper is due to be published in August 2019 with a second paper in December</li> </ul>	The <a href="#">Charging Futures programme</a> is a good source of information for further reading and information via pod casts. It has been established to

<p><b>code review</b></p>	<p>of access rights for transmission and distribution users</p> <ul style="list-style-type: none"> <li>• a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)</li> <li>• a review of the distribution connection charging boundary</li> <li>• a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges).</li> </ul>		<p>2019</p> <ul style="list-style-type: none"> <li>• Consultation on minded-to-decision and draft impact assessment – spring 2020</li> <li>• Publish decision and final impact assessment – autumn 2020</li> <li>• Changes to transmission charging have been aligned to the distribution changes with implementation in April 2023.</li> </ul> <p>Where possible, Ofgem may seek to implement any ‘quick wins’ identified in advance of these dates.</p>	<p>coordinate the significant reform of electricity access and charging arrangements in close collaboration with users of GB's electricity network.</p>
<p><b>Switching programme – significant code review</b></p>	<p>This is Ofgem’s method to review current working practices and this review will focus on:</p> <ul style="list-style-type: none"> <li>• implementing changes to switching arrangements that will enable consumers to switch their energy supplier reliably and quickly, including by the end of the next working day if they choose</li> <li>• require the Data Communications Company to procure a new Centralised Switching Service (CSS) that will facilitate reliable and fast switching across gas and electricity markets.</li> </ul>	<p>Ofgem</p>	<p>Ofgem published its consultation on the proposed changes to licences and industry codes resulting from the review. Responses are due 9 September 2019.</p> <p>Ofgem’s timetable:</p> <ul style="list-style-type: none"> <li>• Commencement of design, build and test phase in April 2019</li> <li>• Completion of CSS physical interface designs by July 2019 and industry party mobilisation by August 2019</li> <li>• Commencement of system integration testing in April 2020 and the completion of Full Physical Design Baseline by July 2020</li> <li>• Planned go live summer 2021.</li> </ul>	<p>The rationale for intervention is that the current switching arrangements result in negative outcomes for some consumers and were designed in the last century and potentially act as a brake on innovation.</p> <p>In the future, the way that registration date and/or the switching process is managed could require changes if say consumers might want to power their houses from one supplier and their cars from another.</p> <p>Further information can be found on the dedicated Ofgem webpage <a href="#">here</a>.</p>
<p><b>Energy codes review –</b></p>	<p>This is BEIS’s/Ofgem’s method to review</p>	<p>BEIS/</p>	<p>BEIS’s/Ofgem’s</p>	<p>The review aims to improve the existing</p>

<p><b>significant code review</b></p>	<p>current working practices and this review will focus on:</p> <ul style="list-style-type: none"> <li>• the rules underpinning the operation of the electricity and gas networks, and the wholesale and retail markets</li> <li>• develop options for improving the codes and their governance</li> <li>• how these changes can be made, including through legislation if necessary.</li> </ul>	<p>Ofgem</p>	<p>timetable:</p> <ul style="list-style-type: none"> <li>• Review launched November 2018 with stakeholder engagement workshops held in February 2019</li> <li>• This review is in its infancy and the first consultation is expected in June 2019</li> <li>• No date has yet been released for final decision or implementation.</li> </ul>	<p>code arrangements and include scope for fundamental reform. It acknowledges that many of the rules governing the energy sector were designed several decades ago for an energy system and market that had yet to see significant growth in low carbon technologies or smarter, more flexible approaches.</p> <p>Consequently, the terms of reference for the review states that action is necessary in order to create a regulatory framework capable of delivering the change that will be required to move to a clean, smart, and consumer led energy system.</p> <p>Further information can be found on the dedicated government webpage <a href="#">here</a>.</p>
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